

Translation Purpose Only

February 22, 2022

To All Concerned Parties

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(TSE Code: 3295)

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Notice concerning the Formulation of the Sustainability Finance Framework and the Borrowing of Funds (Green Loan, etc.)

TOKYO, February 22, 2022 – Hulic Reit, Inc. (“Hulic Reit”) announces today that it has decided to formulate the Sustainability Finance Framework (“Framework”) and borrow funds (“Borrowing of Funds”) including the green loan (“Green Loan”) as follows.

I. Purpose and structure of the Sustainability Finance Framework

1. Purpose and background

In March 2016, Hulic REIT Management Co., Ltd. (“Asset Management Company”), which Hulic Reit entrusts the management of its assets, formulated the “Sustainability Policy”, based on the belief that consideration of environment, social, and governance (collectively referred to as “ESG”) issues will lead to maximizing Hulic Reit’s unitholder value over the medium to long term. Hulic Reit and Asset Management Company plan to further promote initiatives related to ESG, such as programs that would assist to enhance consideration to environment, raise tenant satisfaction and contribute to local communities and the acquisition of assets aimed at resolving social issues, among others.

In conjunction with these initiatives, Hulic Reit has revised the scope of the Green Finance Framework, formulated in October 2020, and formulated the Framework. Under the mechanism of the Framework, Hulic Reit can carry out not only sustainability finance, but also green finance the funds of which are used only for green projects and social finance the funds of which are used only for social projects.

Hulic Reit has decided to borrow funds through the Green Loan under the Framework with the aim to further promote its sustainability initiatives and to reinforce its financial basis by further expanding the class of investors who have an interest in ESG investments and loans.

2. Overview of the Sustainability Finance Framework

(1) Framework relating to the use of proceeds

1) Eligibility criteria for investments qualifying as sustainability finance

Hulic Reit will use the funds procured through sustainability finance programs to newly acquire (including refinancing of acquisition funds) assets that meet the various requirements for eligible green assets and eligible social assets defined below (“eligible sustainability assets”).

2) Eligibility criteria for investments qualifying as green finance

The use of funds procured through green finance will be as follows.

A) Funds to newly acquire eligible green assets (including refinancing of acquisition funds)

B) Funds for renovation work and other

<Eligibility criteria>

A) Eligible green assets

Assets for which any of the following certifications from a third-party certification body (“green building certification”) has been or will be obtained (“eligible green assets”)

- DBJ Green Building Certification (Note 1) : 3 Stars, 4 Stars or 5 Stars
- BELS Certification (Note 2) : 3 Stars, 4 Stars or 5 Stars
- Certification for CASBEE for Real Estate (Note 3) : B+, A or S Rank
- LEED Certification (Note 4) : Silver / Gold / Platinum

Notes:

1. “DBJ Green Building Certification” is a certification of buildings with environmental and social awareness (Green Building), based on a five-grade evaluation system (1 to 5 stars) by using a comprehensive scoring model independently Development Bank of Japan Inc.
2. “BELS Certification” is a public evaluation system of energy saving capacity in non-residential structures of which evaluation criteria were determined by the Ministry of Land, Infrastructure and Transport and is expected to provide information regarding energy saving and promote further development of energy saving capacity in non-residential structures.
3. “CASBEE (Comprehensive Assessment System for Built Environmental Efficiency)” is a method for evaluating and rating the environmental performance of buildings as well as a comprehensive evaluation system of the environmental performance of buildings including consideration to the surrounding landscape in addition to the aspects of environmental load reduction such as energy and resource saving and recycling performance.
4. “LEED (Leadership in Energy and Environment Design)” is an environmental performance rating system for buildings and urban environments developed and operated by the US Green Building Council (USGBC), a non-profit organization. The certification level is based on the total number of points earned in each category and is rated in the order of Platinum, Gold, Silver, and Certified (standard certification).

HULIC REIT, INC.

B) Renovation work

One of the following three requirements must be met.

- i. Renovation work intended to improve the number of stars or the grade/rank by one or more of the eligible green asset certifications in A) above
- ii. Renovation work intended to reduce either energy consumption, greenhouse gas emissions such as CO₂ emissions, or water consumption by 30% or more
- iii. Installation or acquisition of facilities related to renewable energy

3) Eligibility criteria for investments qualifying as social finance

Funds procured through social finance will be used to acquire (including refinancing of acquisition funds) private nursing homes (“eligible social assets”).

(2) Process for project evaluation and selection

The eligibility criteria are proposed and drafted by the “Sustainability Committee”, which is comprised of a cross-section of members within the Asset Management Company, including the President and CEO of the Asset Management Company, and are determined through necessary procedures in accordance with the provisions of the Asset Management Company’s internal rules and regulations.

(3) Management of proceeds

A) Green finance

The amount of debt calculated by multiplying total estimated book value of eligible green assets, which relates to Hulic Reit’s portfolio at the end of each fiscal period, by the ratio of interest-bearing debt to total assets (“amount of eligible green debt”), will be set as the upper limit amount for green finance and managed so that the balance of green finance does not exceed the amount of eligible green debt as of the end of each fiscal period.

B) Social finance

The amount of debt calculated by multiplying total estimated book value of eligible social assets, which relates to Hulic Reit’s portfolio at the end of each fiscal period, by the ratio of interest-bearing debt to total assets (“amount of eligible social debt”), will be set as the upper limit amount for social finance and managed so that the balance of social finance does not exceed the amount of eligible social debt as of the end of each fiscal period.

C) Sustainability finance

The money used initially for green projects or social projects intended for green finance projects or social finance projects incorporated in sustainability finance will be managed within the scope of the funds procured through green finance and social finance programs, respectively.

(4) Reporting (Excerpt)

- A) Hulic Reit will announce the following items on its website or in the disclosure materials once a year.
 - Status of allocation if the funds procured based on the Framework (sustainability finance, green finance, social finance) have not been fully allocated.

HULIC REIT, INC.

- As long as funds procured based on the Framework (sustainability finance, green finance, social finance) remain outstanding, the balance of loans under each scheme shall not exceed the eligible amount of each scheme (total book value for sustainability qualified assets, total interest-bearing debt ratio, sustainability qualified liabilities, sustainability finance balance, etc.)
- B) As long as funds procured through green finance remain outstanding, the following information will be disclosed on the Hulic Reit's website or disclosure materials once in a year.
- Status of certification of eligible green assets and an evaluation of the certification
 - Energy consumption, greenhouse gas emissions such as CO2 emissions, and water consumption of eligible green assets as a whole (only for available assets)
 - Either energy consumption, greenhouse gas emissions such as CO2 emissions, or water consumption of eligible green assets that have undergone renovation work, before and after renovation
- C) As long as funds procured through social finance remain outstanding, the following information will be disclosed on the Hulic Reit's website or disclosure materials once in a year.
- Overview of buildings and leases
 - Status of tenants and overview of facilities (number of rooms, capacity, number of tenants, occupancy rate)
 - Overview of operator
 - Real estate appraisal value at end of fiscal period
 - Trends in amount the Investment Corporation has invested in healthcare facilities
 - 24-hour nursing system service and health management and other medical services (however, they will not be disclosed if we are unable to obtain permission from the operator)
- D) As long as funds procured through sustainability finance remain outstanding, the following information will be disclosed on the Hulic Reit's website or disclosure materials once in a year.
- Items to be described in B) for each eligible sustainability assets for which the funds procured through the sustainability finance was allocated
 - Items to be described in C) for the entire eligible sustainability assets

In addition, in the event that the initial plan of funds allocation subsequently changes significantly and there are unallocated funds, this will be disclosed on Hulic Reit's website or other materials.

3. External review

Hulic Reit has obtained the rating of SU 1(F), the highest rating, from the Japan Credit Rating Agency, Ltd. as a third-party assessment of this sustainability finance framework. Please refer to the JCR website with the link below for details.

<https://www.jcr.co.jp/en/>

HULIC REIT, INC.

II. Details of Borrowing of Funds

1. Details of the Borrowing of Funds

Term	Lender	Borrowing amount	Interest rate (Note 6) (Note 7)	Anticipated drawdown date	Borrowing method	Repayment date	Repayment method (Note 10)	Security
Long-term	Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 1)	¥1.13 billion	Base rate of interest (JBA three-month Japanese Yen TIBOR) + 0.153% (Note 8)	February 28, 2022	Borrowing in accordance with the individual term loan agreement to be entered into on February 24, 2022 with the lender shown on left	May 31, 2023	Lump-sum repayment	Unsecured and unguaranteed
	Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 2)	¥2.857 billion	Base rate of interest (JBA three-month Japanese Yen TIBOR) + 0.320% (Note 8) (Note 9)			February 28, 2029		
	Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 3)	¥2.563 billion	Base rate of interest (JBA three-month Japanese Yen TIBOR) + 0.370% (Note 8) (Note 9)			August 31, 2029		
	Syndicate of lenders arranged by Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 4) (Green Loan) (Note 5)	¥1.5 billion	Base rate of interest (JBA three-month Japanese Yen TIBOR) + 0.420% (Note 8) (Note 9)			February 28, 2030		

Notes:

- The syndicate of lenders consists of MUFG Bank Ltd.
- The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, Mizuho Trust & Banking Co., Ltd., Resona Bank, Limited.
- The syndicate of lenders consists of Mizuho Bank, Ltd., The Norinchukin Bank, Sumitomo Mitsui Trust Bank, Limited.
- The syndicate of lenders consists of The Norinchukin Bank, Resona Bank, Limited, Shinsei Bank, Limited, Aozora Bank, Ltd.
- Used to refinance part of the funds borrowed to acquire the HULIC Kojimachi Building (CASBEE real estate certification: S Rank), a eligible green assets.
- The loan fees and other charges to be paid to the lender are not included.
- The first interest payment date will be May 31, 2022, and subsequently thereafter the interest payment date will fall on the last day of February, May, August and November each year and on the principal repayment date (the repayment date will be the next business day if it falls on a non-business day or the prior business day if this next business day falls in the next month).
- The base interest rate applied to the calculation period for the interest payable on the interest payment date will be the three-month Japanese Yen Tokyo Interbank Offered Rate (TIBOR) published by the General Incorporated Association JBA

HULIC REIT, INC.

TIBOR Administration (JBATA) two business days prior to each interest payment date. (For the first calculation period, the base interest rate for the applicable period shall be the three-month Japanese Yen TIBOR published by JBATA two business days prior to the anticipated drawdown date.) These base interest rates will be revised on each interest payment date. However, if the calculation period is shorter than three months or if the interest calculation period is longer than three months, the base interest rate for the applicable period calculated based on the method stipulated in the loan agreement will be used. Please refer to the JBATA website (<https://www.jbatibor.or.jp/rate/>) for the latest and historical JBA Japanese Yen TIBOR rates.

- 9 An interest rate swap agreement will be executed in order to effectively fix the interest rate for the borrowing. There will be an announcement regarding the interest rate fixed on the basis of the interest rate swap agreement to be arranged, once such details have been determined.
- 10 In cases where certain requirements, such as prior written notice of Hulic Reit, are met during the term after the execution of the borrowing shown above until the repayment date, Hulic Reit may repay the principal of the borrowing in part or in its entirety prior to the repayment date.

2. Reason for the Borrowing of Funds

Hulic Reit intends to make an early repayment and refinancing listed in “(2) Specific use of proceeds” under “3. Amount, use and planned disbursement date” below. In addition, the Borrowing of Funds will allow Hulic Reit to diversify the maturity schedule, while maintaining strong and stable relationships with existing financial institutions.

3. Amount, use and planned disbursement date

(1) Total amount of the proceeds

¥8.05 billion

(2) Specific use of the proceeds

Hulic Reit intends to allocate the early repayment funds of ¥1.5 billion in short term borrowings described in “Notice concerning Early Repayment of Borrowings” announced on February 10, 2022 and the part of refinance funds (¥6.55 billion) of ¥7.55 billion in long term borrowings due in February 28, 2022 described in “Notice concerning the Borrowing of Funds and Early Repayment of Borrowings” announced on December 9, 2014 and ¥1.0 billion in long term borrowings described in “Notice Concerning the Borrowing of Funds and Early Repayment of Borrowings” announced on August 25, 2017.

(3) Planned disbursement date

February 28, 2022

HULIC REIT, INC.

4. Status of interest-bearing debt after the Borrowing of Funds

(Millions of yen)

		Before borrowing	After borrowing (Note 1)	Change
	Short-term borrowings (Note 2)	8,900	2,000	(6,900)
	Long-term borrowings (Note 2)	155,916	159,416	3,500
	Total borrowings	164,816	161,416	(3,400)
	Investment corporation bonds	15,000	15,000	0
	Total interest-bearing debt	179,816	176,416	(3,400)

Note:

- 1 The outstanding balance after the Borrowing of Funds includes the contents described in the “Notice concerning Early Repayment of Borrowings” announced on February 10, 2022 and the “Notice concerning Early Repayment of Borrowings” announced on February 21, 2022 and the “Notice concerning the Borrowing of Funds (Positive Impact Finance (Mizuho Bank, Ltd.))” and the “Notice concerning the Borrowing of Funds (Positive Impact Finance (Sumitomo Mitsui Trust Bank, Limited))” announced today.
- 2 “Short-term borrowings” refer to borrowings with a maturity of one year or less from the drawdown date. “Long-term borrowings” refer to borrowings with a maturity of more than one year. At any point in time, even when the time until maturity of long-term borrowings is less than one year, the outstanding balance is still included in “Long-term borrowings.”

5. Future outlook

The impact of the Borrowing of Funds is immaterial to the outlook concerning our financial results for the fiscal period ending February 28, 2022 (September 1, 2021 to February 28, 2022) and the fiscal period ending August 31, 2022 (March 1, 2022 to August 31, 2022), and therefore we make no revisions to such outlook.

III. Other necessary matters for investors to adequately understand and make an informed decision based on the above information

There are no changes to the risks pertaining to the Early repayment listed in “Chapter 1. Fund Information, Part 1. Fund Status, 3. Investment Risks” of the securities report submitted to the regulator on November 24, 2021.

* Hulic Reit’s website: <https://www.hulic-reit.co.jp/en/index.html>